

AMENDED IN ASSEMBLY MAY 1, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

**ASSEMBLY BILL**

**No. 816**

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**Introduced by Assembly Members Carter and Sharon Runner**  
*(Principal coauthor: Senator Yee)*  
*(Coauthors: Assembly Members Caballero and Salas)*

February 22, 2007

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An act to repeal Part 4 (commencing with Section 18000) of Division 7 of the Business and Professions Code, and to add Chapter 2.7 (commencing with Section 13996.8) to Part 4.7 of Division 3 of Title 2 of the Government Code, relating to economic development, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 816, as amended, Carter. Microenterprise development.

Existing law sets forth the duties of the Business, Transportation and Housing Agency in promoting economic development in the state generally.

Existing law encourages various local agencies to access or promote partnerships that invest in microenterprise development, as defined, or include microenterprise development as part of their economic development strategy.

~~This bill would require the Business, Transportation and Housing Agency to administer a program providing grants on a competitive basis to a qualifying microenterprise development provider or providers, as defined, for capacity building projects, as defined, and to the extent funds are appropriated for that purpose by the Legislature. It would also make a technical, conforming change.~~

*This bill would require the Business, Transportation and Housing Agency to implement a new 36-month program that is administered under a contract with a nonprofit intermediary, as defined, to provide grants to microenterprise development organizations that fund capacity building projects to benefit microenterprises.*

This bill would appropriate \$5,000,000 from the General Fund to the agency for these purposes, to be allocated according to a specified schedule.

Vote:  $\frac{2}{3}$ . Appropriation: yes. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Part 4 (commencing with Section 18000) of  
2 Division 7 of the Business and Professions Code is repealed.

3 SEC. 2. Chapter 2.7 (commencing with Section 13996.8) is  
4 added to Part 4.7 of Division 3 of Title 2 of the Government Code,  
5 to read:

6  
7 CHAPTER 2.7. MICROENTERPRISE DEVELOPMENT  
8

9 *13996.8. This act shall be known and may be cited as the*  
10 *California Microenterprise Development Act.*

11 *13996.81. The Legislature finds and declares all of the*  
12 *following:*

13 *(a) The Legislature encourages local and state government*  
14 *entities to promote microenterprise development to create new*  
15 *jobs and income opportunities for individuals of low and moderate*  
16 *income.*

17 *(b) The Legislature also encourages local and state government*  
18 *entities to include microenterprise development as a part of an*  
19 *economic development strategy.*

20 *(c) The Legislature further encourages California communities,*  
21 *and the public agencies that serve those communities, including*  
22 *workforce investment boards, community colleges, and local*  
23 *economic development agencies, to promote local partnerships*  
24 *that invest in microenterprise development.*

25 ~~13996.8.~~

26 *13966.83. For the purposes of this chapter, the following*  
27 *definitions shall apply:*

1 (a) “Capacity building” means the ability of an organization to  
2 fulfill its mission through a blend of sound management, strong  
3 governance, and a persistent rededication to achieving results.  
4 Examples of capacity building projects for microenterprise  
5 development programs include, but are not limited to, all of the  
6 following:

7 (1) Acquisition of computer hardware, software, and technology  
8 skills to better assess and track microentrepreneurial activities,  
9 and evaluate and report microenterprise progress and program  
10 outcomes.

11 (2) Computer upgrades and software to ensure effective  
12 microloan tracking.

13 (3) Professional development of trainers and business  
14 consultants.

15 (4) Development of outreach materials to communicate with  
16 special populations.

17 (5) Development of Internet Web sites to facilitate  
18 microentrepreneur access to regional business services.

19 (6) Expansion of staff for program delivery or evaluation, or  
20 both, information management, and fund development.

21 (b)

22 (a) “Low income” means an income at or below 80 percent of  
23 the low- and moderate-income (LMI) category used by the federal  
24 Department of Housing and Urban Development.

25 (c) (1)

26 (b) “Microenterprise” means a sole proprietorship, partnership,  
27 or corporation that meets all of the following requirements:

28 (A)

29 (1) Has fewer than five *five or fewer* employees, including the  
30 owner.

31 (B)

32 (2) Is part time or full time.

33 (C)

34 (3) Generally lacks *sufficient* access to conventional loans,  
35 equity, or other banking services.

36 (2) Microenterprises are distinct from small businesses or  
37 microbusinesses and include, but are not limited to, businesses  
38 that provide child development services, businesses that provide  
39 landscaping services, businesses that provide building maintenance,

1 businesses that provide personal and business services, businesses  
2 that provide specialty food products, and home-based businesses.

3 ~~(d)~~

4 (c) “Microenterprise development provider” organization”  
5 means a nonprofit or public agency that provides self-employment  
6 training, technical assistance, and access to microloans to  
7 individuals seeking to become self-employed or to expand their  
8 current business.

9 (d) “Moderate income” means an income between 81 and 120  
10 percent of the low- and moderate-income (LMI) category used by  
11 the federal Department of Housing and Urban Development.

12 ~~13996.85. (a) Every city, county, and city and county is~~  
13 ~~encouraged to access microenterprise development in order to~~  
14 ~~create new jobs and income opportunities for individuals of low~~  
15 ~~and moderate income.~~

16 ~~(b) Every city, county, and city and county is encouraged to~~  
17 ~~include microenterprise development as a part of its economic~~  
18 ~~development strategy.~~

19 ~~(c) California communities and the public agencies that serve~~  
20 ~~them, such as workforce investment boards, community colleges,~~  
21 ~~and local economic development agencies, are encouraged to~~  
22 ~~promote local partnerships that invest in microenterprise~~  
23 ~~development.~~

24 ~~13996.9. (a) The Business, Transportation and Housing~~  
25 ~~Agency shall administer a program providing one-time grants on~~  
26 ~~a competitive basis to a microenterprise development provider or~~  
27 ~~providers qualifying under subdivision (c), for capacity building~~  
28 ~~projects, as described in subdivision (a) of Section 13996.8. Agency~~  
29 ~~shall implement a 36-month program that is administered under~~  
30 ~~a contract with a nonprofit intermediary. Under the program, for~~  
31 ~~24 months, the nonprofit intermediary shall provide grants to~~  
32 ~~microenterprise development organizations that qualify under~~  
33 ~~subdivision (c) to fund capacity building projects that benefit~~  
34 ~~microenterprises.~~

35 ~~(b) (1) Each grant provided pursuant to this section shall cover~~  
36 ~~a two-year period, in an amount totalling a minimum of fifty~~  
37 ~~thousand dollars (\$50,000) for each year, but not to exceed a total~~  
38 ~~of one hundred thousand dollars (\$100,000) for each year.~~

1 ~~(2) No less than 40 percent of the funds available for purposes~~  
2 ~~of this section shall be granted to a qualifying microenterprise~~  
3 ~~development provider or providers serving rural communities.~~

4 *(b) (1) The nonprofit intermediary shall only award grants to*  
5 *microenterprise development organizations that will fund the*  
6 *implementation of capacity building activities over a total period*  
7 *of 24 months. The nonprofit intermediary shall tender the grant*  
8 *funds to a microenterprise development organization so that not*  
9 *more than one hundred thousand dollars (\$100,000) is tendered*  
10 *within a 12-month period.*

11 *(2) The nonprofit intermediary shall award at least 40 percent*  
12 *of the funds available for grants under the program to qualifying*  
13 *microenterprise development organizations that serve rural*  
14 *communities.*

15 *(c) In order to qualify for a grant pursuant to this section, a*  
16 *microenterprise development provider organization shall meet all*  
17 *of the following criteria:*

18 *(1) It shall be a nonprofit corporation qualifying for tax exempt*  
19 *status under Section 501(c)(3) of the Internal Revenue Code.*

20 ~~(2) It shall deliver, or propose to deliver, microenterprise~~  
21 ~~development services to low- and moderate-income individuals~~  
22 ~~starting or operating microenterprises in the state. At least 50~~  
23 ~~percent of the provider's clients shall be low income.~~

24 ~~(3) It shall deliver microenterprise development services such~~  
25 ~~as~~

26 *(2) It demonstrates a history of successfully delivering*  
27 *microenterprise development services, including entrepreneur*  
28 *training, technical assistance toward the preparation of a business*  
29 *plan for operation of a business or supporting the successful*  
30 *repayment of a business loan, loan packaging, entrepreneurial*  
31 *support services such as business networks and mentoring, or*  
32 *microlending.*

33 ~~(4) Its program~~

34 *(3) It shall have been in operation for at least two years and*  
35 *serving a minimum of 100 50 microentrepreneurs or prospective*  
36 *microentrepreneurs per year.*

37 ~~(5) It shall demonstrate that its proposal will increase its~~  
38 ~~organizational capacity to serve at least 20 percent more individuals~~  
39 ~~per year over the next five years.~~

1 ~~(d) Grants shall be provided pursuant to this section to the extent~~  
2 ~~that funding is appropriated for that purpose by the Legislature.~~

3 ~~(e) The agency shall pay its administrative costs under this~~  
4 ~~section from existing resources.~~

5 *(d) A microenterprise development organization's grant*  
6 *application shall include, but not be limited to, the following*  
7 *information:*

8 *(1) A description of the population, including income levels, it*  
9 *currently serves and the types of services it currently provides.*

10 *(2) A list of specific capacity building activities that it would*  
11 *fund with the grant.*

12 *(3) A description of how the capacity building activities it*  
13 *proposes to fund with the grant will increase its capacity to serve*  
14 *at least 20 percent more microenterprises per year over the next*  
15 *five years.*

16 *(4) A description of the population, including income levels, it*  
17 *would be able to serve and the types of services that it would be*  
18 *able to provide through the capacity building activities it would*  
19 *fund with the grant.*

20 *(5) An estimate of how the capacity building activities it would*  
21 *fund with the grant will leverage additional public and private*  
22 *funding for its use.*

23 *(6) A list of project goals and objectives that can be used to*  
24 *evaluate the success of the capacity building activities that it*  
25 *proposes to fund with the grant.*

26 *(e) The nonprofit intermediary shall award grants at least twice*  
27 *a year.*

28 *(f) As a condition of receiving a grant, a microenterprise*  
29 *development organization shall agree to report, at least annually,*  
30 *to the nonprofit intermediary on the progress of implementing its*  
31 *proposed capacity building activities based on the project goals*  
32 *and objectives stated in its grant application and any other factors*  
33 *required by the nonprofit intermediary.*

34 *(g) The nonprofit intermediary shall award grants under the*  
35 *program to the extent that funding is appropriated for that purpose*  
36 *by the Legislature.*

37 *(h) (1) Every 12 months, the nonprofit intermediary shall submit*  
38 *a report to the Business, Transportation and Housing Agency*  
39 *regarding all of the following:*

1 (A) A description of each grant awarded under the program,  
2 including a schedule of the funding to each microenterprise  
3 development organization and a summary of the capacity building  
4 activities described in the successful grant proposals.

5 (B) The population of microenterprises, including income levels,  
6 that will be served by the funded capacity building activities.

7 (C) The percentage of rural communities served by the funded  
8 capacity building activities.

9 (D) A list of project goals and objectives that can be used to  
10 evaluate the success of the funded capacity building activities, and  
11 how goals and objectives have been, or have not been, met.

12 (E) The allocation of the five-hundred-thousand-dollar  
13 (\$500,000) contract amount in the categories of technical  
14 assistance and consulting, travel costs, infrastructure upgrades,  
15 scholarships, staff time, reporting, and administrative and overhead  
16 costs.

17 (F) Any other information requested by the Business,  
18 Transportation and Housing Agency to be included in the report.

19 (2) During the 24 months of the program when it is disbursing  
20 grants, the nonprofit intermediary shall collect data based on best  
21 practices in the field, including data on gender, ethnicity and  
22 poverty rates, the number of clients and participants served by the  
23 microenterprise development organizations, the number and dollar  
24 amount of loans disbursed, the average loan size, a portfolio of  
25 health characteristics of the microenterprises, the number of loans  
26 outstanding, enrollment rates in capacity building activities, the  
27 number of business startups that participated in and were a direct  
28 result of the capacity building activities, the growth in gross  
29 revenues of microenterprises that participated in the capacity  
30 building activities, the number of jobs created as a result of the  
31 capacity building activities, the cost per capacity building activity,  
32 the amount of program-generated revenue, the type of program  
33 funding diversification, income by type, and the successful  
34 leveraging by private, federal, or state funding over total income.  
35 After this 24-month period, the nonprofit intermediary shall also  
36 collect data regarding employment, tax revenues, and other  
37 multiplier effects. Before the end of the 36th month of the program,  
38 the nonprofit intermediary shall report to the Business,  
39 Transportation and Housing Agency on the data it collected and  
40 provide an analysis of that data.

1     (i) *For the purposes of the program, the following definitions*  
2 *shall apply:*

3     (1) *“Capacity building activities” means any activities that*  
4 *increase the ability of a microenterprise development organization*  
5 *to serve more microenterprises or expand the services it provides.*  
6 *“Capacity building activities” also means any activities that*  
7 *strengthen the infrastructure of a microenterprise development*  
8 *organization to support its sustained growth. Examples of capacity*  
9 *building projects for a microenterprise development organization*  
10 *include all of the following:*

11     (A) *Development of skills related to program delivery and*  
12 *evaluation, information management, and fund development.*

13     (B) *Development of skills to assess, track, evaluate, and report*  
14 *microentrepreneurial activities and program results.*

15     (C) *Professional development of trainers and business*  
16 *consultants.*

17     (D) *Development of outreach materials to communicate with*  
18 *special populations.*

19     (E) *Development of Internet Web-based tools to facilitate*  
20 *microenterprise access to local, regional, state, and federal*  
21 *business services, including, but not limited to, links and services*  
22 *related to public procurement contracts, business incentives,*  
23 *business networking opportunities, and public and private technical*  
24 *assistance.*

25     (F) *Peer-to-peer mentoring programs for newly established*  
26 *microenterprise development organizations.*

27     (2) *“Eligible costs” mean those direct costs associated with*  
28 *capacity building activities, as defined in paragraph (1). The costs*  
29 *shall include, but are not limited to, the acquisition of computer*  
30 *hardware, software, and other technologies that support the*  
31 *tracking, evaluating, and reporting of microentrepreneurial*  
32 *activities.*

33     (3) *“Nonprofit intermediary” means a nonprofit organization*  
34 *qualifying for tax exempt status under Section 501(c)(3) of the*  
35 *Internal Revenue Code that facilitates between two or more parties.*

36     (4) *“Rural community” means either a city with a population*  
37 *under 75,000 individuals located in an unincorporated area of a*  
38 *county, or a county with a population under 300,000 individuals,*  
39 *based on the population reported in the most recent United States*  
40 *Census.*



1 SEC. 3. The sum of five million dollars (\$5,000,000) is hereby  
2 appropriated without regard to fiscal years from the General Fund  
3 to the Business, Transportation and Housing Agency for purposes  
4 of the grant program established pursuant to Section 13996.9 of  
5 the Government Code, as added by Section 2 of this act, to be  
6 allocated as follows:

7 (a) Four million five hundred thousand dollars (\$4,500,000) for  
8 grants provided under that section.

9 ~~(b) Five hundred thousand dollars (\$500,000) for a two-year~~  
10 ~~contract with a nonprofit intermediary pursuant to subdivision (d)~~  
11 ~~of that section.~~

12 *(b) (1) Five hundred thousand dollars (\$500,000) for a*  
13 *36-month contract with a nonprofit intermediary to administer the*  
14 *program created under Section 13996.9 of the Government Code*  
15 *that includes, but is not limited to, four workshops, three*  
16 *consultants, scholarships for three conferences, and four regional*  
17 *meetings.*

18 *(2) The cost breakdown of the five hundred thousand dollars*  
19 *(\$500,000) shall be as follows:*

20 *(A) Technical assistance and consulting: seventy-two thousand*  
21 *five hundred dollars (\$72,500) for each 18-month period.*

22 *(B) Travel costs: thirty thousand dollars (\$30,000) for each*  
23 *18-month period.*

24 *(C) Infrastructure upgrades: thirty thousand dollars (\$30,000)*  
25 *for each 18-month period.*

26 *(D) Scholarships for microenterprise development*  
27 *organizations that were awarded a grant to attend field*  
28 *conferences: ten thousand dollars (\$10,000) for each 18-month*  
29 *period.*

30 *(E) Staff time: sixty thousand dollars (\$60,000) for each*  
31 *18-month period.*

32 *(F) Reporting: twelve thousand five hundred dollars (\$12,500)*  
33 *for each 18-month period.*

34 *(G) Administrative and overhead costs: ten thousand dollars*  
35 *(\$10,000) for each 18-month period.*